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ABSTRACT

Thirteen methods of financing school buildings in California are described in this document. A brief introduction reviews recent changes in California school financing, following passage of Proposition 13, and explains the need for new financing methods. For each method, the document provides a description (which also points out limitations), implementation procedures, funding sources, legal authority, and sources of further information. The financing methods include (1) building and renovation funding through redevelopment agency monies; (2) joint-use and occupancy development with a private developer; (3) Leroy Green State School Building Lease-Purchase Law using state funds; (4) emergency classroom program, to acquire portable classrooms; (5) lease-purchase program using district funds; (6) Public Law 81-815, providing federal aid for urgently needed construction; (7) revenue sharing funds from the federal government; (8) development mitigation, to repay the district for new development costs; (9) special district taxes, if approved by voters; (10) leasing facilities from a bond-issuing nonprofit corporation; (11) joint sharing of facilities with recreation agencies; (12) lease and lease-purchase of sites, buildings, or facilities; and (13) certificates of participation in facilities partially leased to others. (RW)

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PLANNING

CEFP 59TH ANNUAL CONFERENCE

COLUMBUS HYATT REGENCY
COLUMBUS, OHIO

SEPTEMBER 26-29, 1982

TOPIC: FINANCING THE SCHOOL PLANT

RESOURCE PERSON: Dave King, Director, Facilities Planning & Development, Irvine USD
Ted Kimbrough, Director, School Building Division, Los Angeles USD

NARRATIVE: Public education is the responsibility of the state. Article 9 of the California Constitution of 1849 contained a mandate upon the legislature to provide for a system of common schools. In addition to the responsibiliby to conduct the educational programs in an efficient and productive manner, the obligation to provide adequate buildings and related facilities to house children is considered to be part of this mandate. The obligation can be met by either directly providing funds or by providing enabling legislation to empower local boards to raise the needed revenue. Historically, the state has met its responsibility by providing legislation authorizing local school districts to issue general obligation bonds for the construction of facilities. In addition, where maximum local effort could not raise sufficient funds, the state provided loan or grant programs to insure adequate facilities for all school children. These included the following:

1. Emergency Building Fund - 1947 Grant Program.
2. Public School Building Fund - 1949 Loan Program.
3. State School Building Aid Law - 1952 State Aide Program.
4. Seasonal Agricultural Portable Classroom Leases - 1966.
5. Repair or Replacement for Unsafe Schools - 1971.
6. Special Education Loans - 1974.
7. State School Building Lease/Purchase Law of 1976.

The passage of Proposition 13 in 1978 and the subsequent legislation all but eliminated the taxing authority of local school boards. Funding of public education, including funding for facilities, became the responsibility of the state to a greater degree. With most of the state programs low on money, there has been limited funding for a period of time.

EA 015 252

After a concerted effort by school districts with housing needs, through such groups as CASH (Coalition for Adequate School Housing), the legislature updated the State School Building Lease/Purchase Law of 1976 and provided the Emergency School Classsroom Law of 1979. These provisions, along with different forms of the developer's fee and unused bond money, provided the basis for school constuction today. The procedures and controls for local issuance of general obligation bonds are still in effect, although Proposition 13 makes bonds unusable by removing the method for repayment of these loans. At this time a state general obligation bond issue to provide $500 million in funding of the State School Building Lease/Purchase Law of 1976 is on the November 2, 1982 Election Ballot. As state issues only require a majority vote in lieu of the 2/3's vote, we are hopeful that the measure will pass.

The growing need for capital funding of facilities by school districts has led them to look for additional methods of financing of schools. The more widely used innovative methods include the formation of a non profit corporation to build and lease back school facilities, the formation of assessment districts involving undeveloped land with the responsibility falling to the property owners after the land has been developed, and co-development of a piece of property by an industrial or commercial tenant and a school district. This, by no means, exhausts the list of methods used to finance school construction in the last few years.

The Building Research Committee of the California Association of School Business Officials has recently updated the chapter on "Financing the School Plant".

This chapter lists methods currently in use in California and gives a brief description and a source of information to obtain more specific detail. Although limitations are given for each method, no attempt has been made to evaluate or compare methods. Each method must be evaluated against the specific situation found in the district to determine what are strenghts and limitations of the method.

CASBO - Southern Section

Building Research Committee

1982

FINANCING THE SCHOOL PLANT

draft

4/21/82

CASBO - SOUTHERN SECTION
BUILDING RESEARCH COMMITTEE

FINANCING THE SCHOOL PLANT

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NOTE: The intriduction has been slightly modified and used for the narrative page preceeding this paper.

CASBO - SOUTHERN SECTION
BUILDING RESEARCH COMMITTEE

TITLE

Building and renovation funding - use of redevelopment monies for renovation and new construction.

BRIEF DESCRIPTION

This method, if applicable, permits a school district to share a portion of the property taxes collected from the area covered by the redevelopment agency. The method by which the redevelopment agency works is as follows:

1. The property taxes are frozen on all parcels within the redevelopment area.
2. The redevelopment agency collects the difference between the taxes paid and the new assessment.
3. The monies generated are fed back into the area to stimulate growth.

The school district can benefit from a share of these monies because of the increased demand for school facilities, i.e.; more jobs, more workers, more students. The potential increase of students and the lack of adequate state funding for school construction projects makes this alternative method of financing viable for the short term.

Note: This is a voluntary agreement between the redevelopment agency and the school district. There is not, at any time, a legislative mandate requiring the agency to share any portion of the monies collected with the local school district. Therefore, it is imperative that the school district begin the negotiation process at or near conception of the redevelopment agency. This will require a committment, on behalf of the local school board, of being agreeable to apply pressure, of a political nature, upon the redevelopment agency.

PROCEDURES TO IMPLEMENT THIS METHOD

1. The school district and the redevelopment agency negotiate an agreement as to the impact that the project(s) will have on the schools of the district that will be impacted by the new development. A partial list of the subjects analyzed is as follows:
   (a) Projected increase in enrollmwnts.
   (b) Projected increase in requirements for facilities.
   (c) Projected timeline for facility needs.
   (d) Projected cost of providing facilities.
2. The school district and the redevelopment agency determine the extent of anticipated impaction and a method for allocating payments, i.e.; 10% of the monies collected by the agency for a period of 10 years will provide adequate facilities for the additional students generated by redevelopment.
3. The school district and the redevelopment agency determine a list of eligible schools and projects, either new construction, renovation or expansion.
4. The school district and the redevelopment agency develop a system of accounting to verify expenditures and construction projects by site.

FUNDING SOURCE

Property taxes collected by the redevelopment agency in the area(s) designated for redevelopment.

LEGAL AUTHORITY

California Community Redevelopment Law, Health & Safety Code Section 33000, et seq.

INFORMATION SOURCES

John Perry, Assistant Superintendent
Administrative Services
Placentia Unified School District
1301 E. Orangethorpe Avenue
Placentia, CA 92670
Phone: (714) 524-4261

INFORMATION SOURCES (cont)

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CASBO - SOUTHERN SECTION
BUILDING RESEARCH COMMITTEE

TITLE

Joint-use and occupancy development of a school site (Santa Monica Plan).

BRIEF DESCRIPTION

Utilizing the joint-use and occupancy provisions of the Education Code, the school district may provide (through competitive bidding) for a private developer to construct various educational and commercial facilities on district-owned land. In exchange for a long-term ground lease for the commercial land use, for example, the developer is to provide the school facility rent-free to the district.

PROCEDURE TO IMPLEMENT THIS METHOD

See attached Flow Chart.

FUNDING SOURCE

Private developer funds.

LEGAL AUTHORITY

Education Code 39440-39452

INFORMATION SOURCES

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Irvine Unified School District
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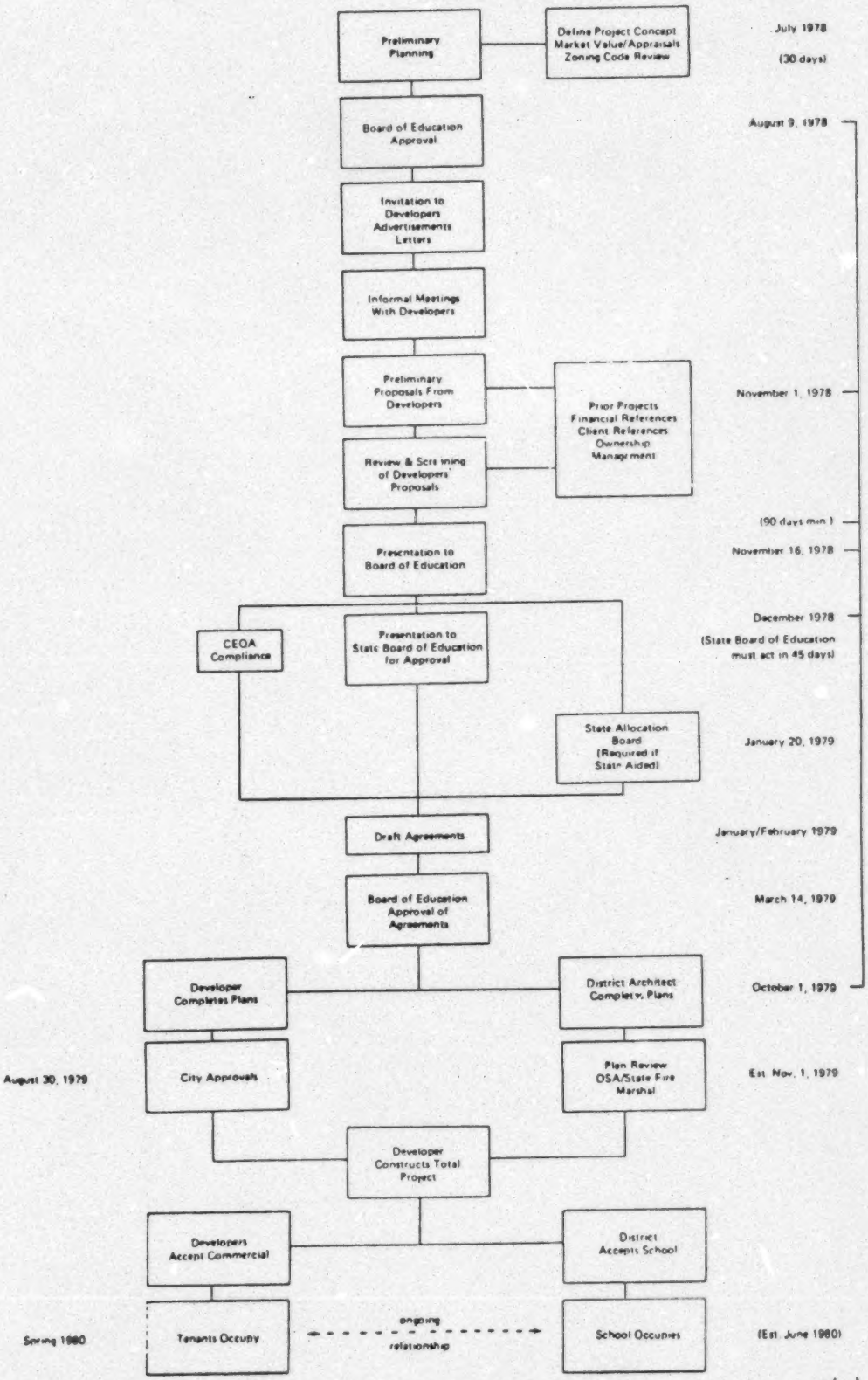
Irvine, CA 92713

Carl J Hencken
Department of Housing and Community Development (HCD)
Phone: (916) 445-0836

FLOW CHART

SELF/WOODBRIDGE
JOINT USE AND OCCUPANCY PROJECT



4(a)

TITLE

Leroy Green State School Building Lease-Purchase Law

BRIEF DESCRIPTION

In 1976, the Leroy Green Lease-Purchase Law was enacted by the legislature. The accompanying or enabling state-wide bond issue failed, which meant that even though the law was in the statutes, no bond funds were available for implementation. Assembly Bill 8 (1979 Stats.) revived the lease-purchase law and provided a minimal amount of funding for the program.

The essential elements for the Lease-Purchase Law are:

1. Applications for needed facilities are filed in accordance with regulations adopted by the State Allocation Board.
2. The State Allocation Board approves the application.
3. The district is authorized, as its agent, to select an architect to prepare working drawings, and to advertise for construction bids.
4. The State Allocation Board enters into a lease-purchase agreement with the school district for an annual amount of $1.00.
5. The district is authorized to award the construction contract.
6. The net result is a 100% state funded project.

This is a satisfactory method of financing school construction; however, the amount of funds available is inadequate for school district needs state-wide. One basic problem with the Lease-Purchase program as it exists now is that it attempts to finance school construction on a current basis. That is, the entire cost of a project is paid from funds received during the current year. This violates the premise that payment for public facilities should be spread out over many years--approximately the life of the structure--so that taxpayers using the facility in future years will participate in the payment for the facility.

PROCEDURES TO IMPLEMENT THIS METHOD

Using the guidelines developed by the Office of Local Assistance and approved by the State Allocation board, districts apply on a project and priority point basis for approval. Upon approval the district is "authorized" by the SAB to be its agent, hire the architect and contractor, and to occupy and use the facility. The SAB leases the new facility to the district for $1.00 annually. Theoretically, at some time in the future, the SAB will convey title to the district.

FUNDING SOURCE

State of California through Allocation Board

LEGAL AUTHURITY

Education Code 17700 et seq.

INFORMATION SOURCES

State of California
Department of General Services
OFFICE OF LOCAL ASSISTANCE
1025 P Street, Room 112
Sacramento, California 95814
(916) 445-2704

CASBO - SOUTHERN SECTION
BUILDING RESEARCH COMMITTEE

TITLE

Emergency Classroom Program

Emergency Classroom Act of 1979

BRIEF DESCRIPTION

The State of California made available to school districts $13 million for the purpose of acquiring portable classrooms. These classrooms are purchased by the state and then leased to the school districts for no less than $1 and no more than $2,000 per year. The portables are an effective means of providing immediate classroom space; however, they are only an interim solution as permanent facilities may eventually be needed for those districts with growing enrollments.

PROCEDURE TO IMPLEMENT THIS METHOD

The State Allocation Board adopted rules and regulations for establishing priorities. Districts must furnish evidence that the district has no available bond proceeds which could be used for classroom facilities. After need for a particular portable classroom has ceased, the portable classroom may be recalled and leased to other school districts.

FUNDING SOURCE

State of California through the Allocation Board

LEGAL AUTHORITY

Assembly Bill 8 (Chapter 282, Statutes of 1979)

INFORMATION SOURCES

State of California
Department of General Services
OFFICE OF LOCAL ASSISTANCE
1025 P Street, Room 112
Sacramento, California 95814
(916) 445-2704

TITLE

Lease-Purchase Program

BRIEF DESCRIPTION

State law established procedures under which school districts may lease temporary and permanent buildings and property for school purposes. Under the providions, the lease-purchase of certain facilities is limited to three years, i.e., "temporary use" buildings that do not conform to the Field Act requirements. Under other cases, lease-purchase agreements are limited to ten years (relocatables). The duration of other agreements varies from twelve to sixty-six years, depending upon the circumstances.

Many districts are using the short term lease-purchase for the acquisition of trailers, portables, or modular buildings. A lease-purchase contract may be entered into for bid up to ten years; however, most vendors will only bid on a seven-year term. The requirement for use of the general fund for the annual lease payments makes this method prohibitive for most school districts.

In certain cases, it is possible for a district to lease facilities. This is at best a temporary and expensive method of using facilities.

PROCEDURES TO IMPLEMENT THIS METHOD

Procedures are specifically outlined in Part 23 of the Education Code (commencing with Chapter 2, Section 39240, and Chapter 3, Section 39290).

FUNDNG SOURCE

District General Fund

Special Federal or State grants that allow facility leases (i.e., State Pregnant Minors Program).

LEGAL AUTHORITY

Education Codes 39240 and 39290

INFORMATION SOURCE

Local County Counsel

TITLE

Public Law 81-815 - Impact Aid

BRIEF DESCRIPTION

This program, administered through the Federal Department of Health Education & Welfare, is to provide assistance for construction of urgently needed minimum school facilities in areas affected by certain Federal activities, such as military bases, etc.

PROCEDURES TO IMPLEMENT THIS METHOD

Applications may be filed by any local education agency which provides free public education to the State Education Agency, verifying the need for additional school facilities caused by new or increased Federal activities, such as an increase in the numbers of children who reside on Federal property, with a parent employed on Federal property, or in instances where Federal property constitutes a substantial part of the school district.

FUNDING SOURCE

Federal funds provide funding for these projects, when funds are available by Congressional action.

LEGAL AUTHORITY

Public Law 815

INFORMATION SOURCES

State Education Agency
Bureau of School Facilities Planning
721 Capitol Mall
Sacramento, Ca 95814

NOTE: This program also provides some funding for replacement of facilities due to declared national disasters or emergencies. All above information applies.

TITLE

Revenue Sharing

BRIEF DESCRIPTION

On October 20, 1972, the U.S. Congress passed a law which established the General Revenue Sharing Program. Under this program, the Federal Government provides to 39,000 State and local governments a certain amount of income tax dollars, called revenue sharing funds which are distributed to State and local governments.

Certain funds are allocated to each State, which then distributes a certain portion to local governments, which may use the funds in the same way as their locally collected revenue.

PROCEDURES TO IMPLEMENT THIS METHOD

Any funding agency, State, city, county or other district, that receives revenue sharing funds, may consent to participate with a local school district in a project.

It is unlikely that total schools may be built under this financing plan; however, recipient governments may transfer shared revenues to secondary recipients (private organizations, quasi-governmental agencies or other government units such as school, hospital or fire districts) for purposes consistent with the regulations if such transfers are permissible under State and local law.

Procedures on the public participation process through public hearings is stressed in program guidelines and school districts may approach any agency advertising for public input on proposed revenue sharing projects.

FUNDING SOURCE

Federal income tax dollars, as approved by Congress and the President.

LEGAL AUTHORITY

Title I, State & Local Fiscal Assistance Act of 1972

INFORMATION SOURCE

Office of Revenue Sharing
2401 E St. N.W.
Washington, C.D. 20226
(202) 634-5200

State, City & County Agencies with Revenue Sharing Programs

TITLE

Development Mitigation

BRIEF DESCRIPTION

This method involves the payment, voluntary or required by law, of a fee as a condition of the right to develop property.

Fees may be in the form of funds paid to the school district, in the provision of interim facilities (portables), permanent facilities or "in-lieu credit" for land for use as a school construction site.

PROCEDURES TO IMPLEMENT THIS METHOD

Three methods of implementing developer fees are available:

a. Voluntary. A developer may be approached by the impacted school district, with a request to provide funds as noted above to mitigate the student housing need generated by his development, with funds to be spent for any needed capital outlay purposes, permanent or interim.

b. Locally Mandated or Enforced. The appropriate City and/or County planning approval agency may be requested to adopt an ordinance requiring the payment of fees as a condition of development approval or to enforce concerns as expressed in the California Environmental Quality Act regarding impacts of development and the appropriate mitigation therefrom, with funds spent for capital outlay as directed by the laws, permanent or interim.

c. State Law. The appropriate City and/or County planning approval agency may be requested to adopt ordinances implementing the SB 201 developer fee program, indicating overcrowding in some or all of the school district's attendance boundaries. Government Code law governing this procedure only allows the funds collected in this manner to be spent for interim facilities (portables), developer-provided interim facilities and/or "in-lieu credit" for land to be used as a school construction site. No permanent facilities may be constructed with developer fees received under the SB 201 program.

FUNDING SOURCE

Funds will be provided by the property developer, with recovery experienced from the sale of the home, with the homebuyer the ultimate funding source.

LEGAL AUTHORITY

a. Legal authority for voluntary fees must be adopted by local agencies.

b. Each City or County may have or may adopt ordinances requiring the payment of developer fees or may interpret existing laws, such as CEQA, to require the payment of fees, as a mitigation measure.

c. Government Code Sections #65970-65978 and appropriate local ordinances and laws.

INFORMATION SOURCES

Local Planning Agency
Each City or County

County Counsel
Each County

Mary Lou Smith
Capistrano Unified School District
32972 Calle Perfecto
San Juan Capistrano, Ca 92675

TITLE

Special Taxes, Excluding Ad Valorem Taxes on Real Property; Excluding Transaction or Sales Taxes on the Sale of Real Property.

BRIEF DESCRIPTION

This method permits a School District to levy these special taxes when approved by a two-thirds vote of the electors. The taxes may be levied on all new building permits or may be limited to building permits on a particular type of construction such as residential and not industrial or vice versa. The amount of the tax may be a lump sum or on square footage basis or number of bedrooms, etc., but not on value.

PROCEDURE TO IMPLEMENT THIS METHOD

A school district desiring to adopt a special tax would follow the normal procedures in calling a special election commencing generally with Education Code Section 5300. In view of the fact that the Legislature used the term "districts" in Government Code Sections 50075-50077, those procedures should also be followed, which require a notice and public hearing before the governing board of the district orders an election. Neither Section 4 of Article XIIIA of the California Constitution nor Government Code Section 50075-50077 specify what kind or type of special taxes can be imposed other than providing they may not be ad valorem taxes on real property or a transaction or sales tax on the sale of real property.

FUNDING SOURCE

The applicants for the building permits.

LEGAL AUTHORITY

Section 4, Article XIIIA of the California Constitution and the 1979 Legislature adopted Government Code, Sections 50075 through 50077 to implement the above section to permit cities and counties to impose special taxes. The 1980 Legislature amended the Government Code effective July 20, 1980 to include districts among the entities authorized to levy these special taxes.

INFORMATION SOURCES

Dr. Duane E. Stiff, Superintendent
Chino Unified School District
5130 Riverside Drive
Chino, California 91710
Phone: 714/628-1201

Clayton H. Parker
Parker & Covert, Attorneys
1971 East Fourth Street, Suite 30
Santa Ana, California 92705
Phone: 714/973-2137

TITLE

Leasing Facilities
Development Lien Method
"Poway Plan"

BRIEF DESCRIPTION

This method permits a school district to lease facilities from a non-profit corporation. The non-profit corporation would have the power to issue revenue bonds to finance school facilities, and the lease payments may be made by levying fees against development liens created upon specific property within a school district.

PROCEDURES TO IMPLEMENT THIS METHOD

1. The school district and the land owners, usually a developer, agree to implement this method and identify the properties to which a development lien is to be imposed. Said properties are referred to as the "benefit area". The developer must agree prior to sale of homes because the consent of 100% of the property owners is required. By doing this, the future owners are committed to this agreement.
2. The future enrollment from the tract is projected and school facilities are estimated. The State Allocation Board must approve the projection of enrollment and the building area of the facilities.
3. The district establishes a non-profit corporation, whose function is to sell necessary revenue bonds for financing the project and to construct the facilities. All acts of planning and construction, etc. are under full control of the School Board, and costs are subject to the review and approval of the State Allocation Board.

4. When facilities are completed, the non-profit corporation leases the project to the school district.

5. The school district, not having funds to make the lease payments, defaults on the lease payment and in turn the county collects funds from the liens on the properties in the benefit area. Property owners buying homes from the developer are fully informed that such liens are, or will be, imposed on the properties.

6. The school board has full control as to the attendance area served after completion of facilities.

FUNDING SOURCE

The property owners in the "benefit area".

LEGAL AUTHORITY

California Education Code Sections 39327 through 39328.6.

INFORMATION SOURCES

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1971 E. 4th Street, Suite 30
Santa Ana, California 92705
Phone: 714/973-2137

Edward Peltz, Superintendent
Mountain View School District
2825 Walnut Avenue
Ontario, California 91761
Phone: 714/982-4839

Dennis W. Chiniaeff, Vice President
Barratt Corp.
17752 Skypark, Suite 180
Irvine, California 92714
Phone: 714/549-0155

Davis-Duhaime Associates, Architects
2031 E. Cerritos, Suite H
Anaheim, California 92806
Phone: 714/956-0811

TITLE

Community Recreation - Joint Powers

BRIEF DESCRIPTION

"The partnership of education and recreation agencies working together cooperatively is one of long standing in California, marked with examples of outstanding service and success. The circles signifying that which is a learning experience and that which is a recreational experience grow increasingly together, and well they should. In the mind of the participant, there may be no difference.

Another type of service can be gained through cooperative efforts; that of sharing resources to make the most effective use of limited tax dollars. We can lessen our need for public financial support through sharing the physical, financial, and human resources we each have to offer. This should always be an objective of public agencies; with Proposition 13, it is our mandate".

Russell W. Cahill, Director
California Department of Parks and Recreation

PROCEDURE TO IMPLEMENT THIS METHOD

One of the most rewarding applications of the opportunities arising from the Community Recreational Program authorized by the Government Code and Education Code is the construction of and joint use of recreation facilities. Quite often these agreements provide that the school will donate property adjacent to classroom buildings and the city or county will construct and/or maintain recreational facilities to be used by both the school and the community. A comprehensive list of projects is contained in the Handbook for Recreation/Park and Education

Agencies produced September 1979 by the California Park and Recreation Society in conjunction with the California Department of Education. The specific legal provisions including sample agreement documents appear on the following pages.

FUNDING SOURCE

Federal, State, County, City and local School District Funds - see appendex D-3.

LEGAL AUTHORITY

Education and recreation/park agencies are authorized by Government Codes of the State of California to organize, promote and conduct programs for learning and leisure. Recreation/park and education agencies are further authorized to enter into agreements with each other, and to do what is necessary to aid and cooperate in carring out these purposes.

INFORMATION SOURCES

Dr. Morris E. Lusk, Business Manager
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27120 Shadel Road
Sun City, CA 92381
Phone: 714/679-6884

TITLE

Lease & Lease/Purchase of Sites, Building & Facilities

E.C. (39240-39325)

BRIEF DESCRIPTION

An acceptable means of financing a building program is through lease/purchase. In the case of lease/purchase, a transaction can be made without an election if the financing is to be made from the general fund.

PROCEDURE TO IMPLEMENT THIS METHOD

The following paragraphs describe the several means of financing school building construction through the several lease/purchase plans including; General Fund or Special Reserve Fund.

"Any school district may enter into leases and agreements relating to real property and building to be used by the district..." E.C. 39300. The district must have a site available either through ownership or through a legally binding option before it can grant a lease/purchase contract. It may enter into an agreement with any person, firm or organization to construct a building on the district designated site and then lease the building to the district. In this process the board is accepting bids for the total cost of the proposed lease/purchase contract, including interest, rather than on the construction cost of the building. It should be noted that the contractor has the responsibility to either finance the construction himself and to then personnally enter into the Lease/Purchase arrangements with the District, or to make appropriate arrangements with the lending agency to whom he will assign the approved Lease/Purchase Agreement and whom the District will then pay. A typical arrangement would be that the District: 1/Award the lease/purchase contract to the lowest bidder (on the basis of total lease/purchase

price); 2/The contractor constructs the building; 3/The district accepts the building; 4/The contractor "sells" the building to the loan agency who simulataneously enters into the lease/purchase contract with the district.

Another option available involves District arranging with a broker or bank for the financing directly and bidding the project as a straight construction contract. The financial provider then owns the building until all principle and interest is paid by the District.

The Education Code allows a maximum term of 40 years for a lease/purchase contract; however, differing maximum terms of time for lease/purchase are allowed, depending upon the type of building to be purchased. A maximum of ten years is allowed for lease or lease/purchase of a relocatable structure. Lease buildings for the purpose of administrative offices, warehouses, athletic facilities, auditoriums, adult education, transportation facilities and communication facilities are all subject to a maximum term of twelve years.

However, normal contract periods are form three to seven years. The contract must provide that: the title to the building and site must vest in the district at the expiration of the lease and include the means by which the title might vest to the district prior to the expiration of the lease. The board must advertise for the purpose of securing bids.

It should be noted that lease/purchase may include on site built and manufactured portables, as well as permanent structures, but in either case it in no way absolves a district from meeting all the requirements

related to building school buildings including plan approval of the Office of State Architect, and meeting the requirements for the selection of school sites. It is also highly recommended that the lease/purchase contract document either be developed or approved by county counsel and that all steps in the program be reviewed by county counsel.

FUNDING SOURCE

District General Fund, Special Reserve Fund, Bank Loans; Builder Loans.

LEGAL AUTHORITY

Education Code 39246-39247, 39300-39306; 39314

INFORMATION SOURCES

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Perris Union High School District
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Sun City, CA 92381
Phone: 714/679-6884

NOTIFICATION OF INTENT TO ENTER INTO A LEASE AGREEMENT

AB 1192, Chapter 1088, effective January 1, 1982, provides that state and local governments shall give written notice of intent to enter into a debt agreement no later than ten (10) days prior to the executing of such agreement. Although the definition of the leases to be included in this statute have not been fully clarified, the state intends to adhere to the following description: "any lease which results in or underlies an instrument which qualifies or is expected to qualify for tax exemption under the U.S. Internal Revenue Code".

Fees will be charged by the commission set up by this statute. Failure to provide the necessary information could impair the ability of legal counsel to issue an unqualified opinion as to the legality of the debt issue.

CASBO - SOUTHERN SECTION
BUILDING RESEARCH COMMITTEE

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Orange County Department of Education

Mary Lou Smith
Capistrano Unified School District

Leon Stein
Office of State Architect

Joe Surra
Rowland Unified School District

John Wheeler
Jurupa Joint Unified School District

James Bartholomew
Elsinore Union High School District

Bill Dwyer
Davis-Duhaime Associates

TITLE

Certificates of Participation

BRIEF DESCRIPTION

A financial mechanism which does not require an election to issue paper to fund a lease-purchase agreement. Interest is tax exempt, if less than 25% of the facilities are leased to third parties to generate a revenue source through rental income. Interest rates generally 1% to 2% higher than General Obligation Bonds. Has been successfully used in Portland, Oregon and most recently by the Coast Community College District in Southern California.

INFORMATION SOURCES

Correllan J. Thompson
Executive Vice Chancellor,
Business Affairs
Coast Community College District
1370 Adams Avenue
Costa Mesa, CA 92626
(714) 556-5745

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 21, 1981

NEW ISSUE

RATINGS:
Moody's ——
Standard & Poor's AAA (MBIA)
(See "Ratings" herein)

In the opinion of Rutan & Tucker, Costa Mesa, California, Special Counsel, under existing laws, regulations, rulings and judicial decisions, the interest portion of payments made by the District under the Lease-Purchase Agreement received by the Certificate holders is exempt from present federal income taxation and from present California personal income taxes.

$15,595,000*

CERTIFICATES OF PARTICIPATION

(COASTLINE COMMUNITY COLLEGE CENTER PROJECT)

Evidencing a Proportionate Interest of the Holder Thereof in Lease-Purchase Payments to be Made by the

COAST COMMUNITY COLLEGE DISTRICT

As the Rental For Certain Property Pursuant to a Lease-Purchase Agreement with BANKERS LEASING AND FINANCIAL CORPORATION

Dated: January 1, 1982 **Due: February 1, as shown below**

The Certificates are being issued to finance the acquisition of certain real property and the construction of a building on such real property located in the City of Fountain Valley, California, to be utilized as a college center by the District.

Interest due with respect to the above identified Certificates is payable semiannually on February 1 and August 1 of each year, commencing August 1, 1982, at the offices of First Interstate Bank of California, Los Angeles, California, the Trustee, or (in the case of coupon Certificates) at the principal office of the Trustee in Los Angeles or San Francisco, California or Bankers Trust Company, New York, New York, Paying Agent. The Certificates are issuable as coupon certificates in the denomination of $5,000 and as fully registered certificates without coupons in the denomination of $5,000 or any integral multiple thereof. *The Certificates are subject to redemption prior to maturity as described herein.*

The District is legally required under the Lease-Purchase Agreement to pay lease payments from any source of legally available funds sufficient to pay, when due, the annual principal and interest due with respect to the Certificates. The District has covenanted under the Lease-Purchase Agreement to take such action as may be necessary to include and maintain such lease payments in its annual budget, and to make the necessary annual appropriations therefor. **The obligation of the District to pay lease payments does not constitute an obligation of the District for which the District is obligated to levy or pledge any form of taxation or for which the District has levied or pledged any form of taxation. The Certificates or the obligation of the District to make lease payments under the Lease-Purchase Agreement do not constitute an indebtedness of the District, the State of California or any of its political subdivisions within the meaning of the Constitution of the State of California or otherwise.**

Payment of the principal and interest on the Certificates is guaranteed by a policy to be issued by Municipal Bond Insurance Association simultaneously with the delivery of the Certificates.

MATURITY SCHEDULE*

Maturity (February 1)	Principal Amount	Interest Rate	Maturity (February 1)	Principal Amount	Interest Rate
1984	$240,000	%	1994	$ 760,000	%
1985	270,000		1995	850,000	
1986	300,000		1996	955,000	
1987	340,000		1997	1,075,000	
1988	380,000		1998	1,205,000	
1989	425,000		1999	1,355,000	
1990	480,000		2000	1,520,000	
1991	535,000		2001	1,705,000	
1992	605,000		2002	1,920,000	
1993	675,000				

(Price: 100%, plus accrued interest from January 1, 1982)

The Certificates are offered when, as and if issued and received by the purchasers, subject to the approval as to their legality by Rutan & Tucker, Costa Mesa, California, Special Counsel, and certain other conditions. Certain legal matters will be passed upon for the Underwriter by Mudge Rose Guthrie & Alexander, New York, New York and for the District by John C. Lautsch, General Counsel to the District. It is anticipated that the Certificates in definitive form will be available for delivery in Los Angeles, California, on or about January 20, 1982.

Merrill Lynch White Weld Capital Markets Group

Merrill Lynch, Pierce, Fenner & Smith Incorporated

Dated: January ....., 1982

* Subject to change.

This is a Preliminary Official Statement, subject to correction and change, and is not yet finally adopted. The District has authorized the distribution of this Preliminary Official Statement to prospective purchasers and others. Upon the sale of the Certificates, the District will complete, adopt and deliver an Official Statement substantially in this form.